

**WATER/KKL/SMW/AML:jrb****PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA****WATER DIVISION  
Audit & Compliance Branch****RESOLUTION W-4483  
July 8, 2004****R E S O L U T I O N**

**(RES. W4483), SUBURBAN WATER SYSTEMS (SWS), SAN JOSE HILLS AND WHITTIER LA MIRADA DISTRICTS. ORDER AUTHORIZING SURCHARGES IN EACH DISTRICT TO RECOVER UNDER-COLLECTIONS IN PURCHASED WATER, PUMP TAX, AND PURCHASED POWER BALANCING ACCOUNTS PRODUCING ADDITIONAL ANNUAL REVENUES OF \$3,035,681 FOR THOSE COMBINED DISTRICTS.**

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**SUMMARY**

By Advice Letter (AL) No. 232-W, filed March 17, 2003, supplemented by AL No. 232-W-A, filed June 16, 2003 and AL No. 232-W-B, filed June 1, 2004. The two supplements were filed in response to Water Division's assessment that the original advice letter was deficient regarding calculations and supporting documentation and should be suspended. SWS seeks to recover the net under-collection in the purchased water, pump tax, and purchased power balancing accounts as of November 29, 2001. The net under-collections are the consequence of booking incremental increases in purchased water, pump tax, and purchased power to the accounts during the timeframes of May 1993 to November 29, 2001. All calculations include interest at the 90-day commercial paper rate.

San Jose Hills Service Area: By Advice Letter No. 232-W, filed on March 17, 2003, supplemented by AL No. 232-W-A, filed June 16, 2003 and AL No. 232-W-B, filed June 1, 2004, SWS seeks revision to its tariff Schedule No. SJ-1, San Jose District, General Metered Service, by assessing a surcharge of \$0.0487 per one hundred cubic feet (Ccf) per customer over 12 months, to recover a \$518,263 under-collection, including interest (which is 2.4% of the last authorized revenue requirement). This recovery includes the following adjustments: 1) a reduction of \$11,010 related to services to the

former Maple Mutual Water Company that could not be accrued because Suburban did not have Commission approval to charge Maple's customers rates during the relevant pre-December 2001 period; and 2) a reduction of \$81,606 reflecting a recording error concerning water purchases from Valley County Water District.

Whittier La Mirada Service Area: By Advice Letter No. 232-W, filed on March 17, 2003, supplemented by AL No. 232-W-A, filed June 16, 2003 and AL No. 232-W-B, filed June 1, 2004, SWS seeks revision to its tariff Schedule No. WLM-1, Whittier La Mirada District, General Metered Service, by assessing a surcharge of \$0.0900 per one hundred cubic feet (Ccf) per customer over 36 months, to recover a \$2,517,418 under-collection, including interest (which is 15% of the last authorized revenue requirement). This recovery includes a reduction of \$81,606 reflecting a recording error concerning water purchases from Valley County Water District.

Both Service Areas: As noted above, SWS includes an adjustment in both Service Areas to reflect a recording error concerning water purchases from the Valley County Water District. The total adjustment is \$163,212 – SWS has allocated half of that adjustment (\$81,606) to each Service Area, since both districts were affected.

This resolution authorizes the above requested increases and retentions.

## **BACKGROUND**

SWS serves about 34,300-metered customers in its San Jose District. The present rates for the San Jose District became effective on January 1, 2004, via Advice Letter 236-W, which implemented D.03-05-078 that authorized a general rate increase.

SWS serves about 32,900-metered customers in its Whittier La Mirada District. The present rates for the Whittier La Mirada District became effective on January 1, 2004, via Advice Letter 236-W, which implemented D.03-05-078 that authorized a general rate increase.

SWS' initial Advice Letter, AL 232-W requested balancing account recovery based on an incorrect methodology. Water Division requested that SWS revise

its advice letter filing by properly calculating the recovery amount. Because SWS' first supplemental Advice Letter, AL 232-W-A did not accomplish this, a second request was made and SWS filed AL 232-W-B, which includes the proper calculation of balancing account recovery. Water Division accepts as correct and complete AL 232-W-B. The amounts authorized in this resolution are from that final revised AL 232-W-B.

SWS requests authority under Section VI of General Order 96-A and Section 454 of the Public Utilities Code and pursuant to AL 232-W-B to increase annual revenue in the following districts to recover under-collections in their respective purchased water, purchased power, and pump tax balancing accounts:

San Jose - \$518,263 (2.4% of the last authorized revenue requirement) Whittier La Mirada - \$2,517,418 (15% of the last authorized revenue requirement)

AL 232-W-B was filed pursuant to D.02-12-055, December 17, 2002.

## **DISCUSSION**

Advice Letter No. 232-W, as supplemented by AL No. 232-W-A, filed June 16, 2003 and AL No. 232-W-B, filed June 1, 2004, were filed in compliance with Ordering Paragraph No. 2 of D.02-12-055, dated December 17, 2002, an interim order issued in R. 01-12-009, the rulemaking proceeding that addressed the calculation and recovery of water utility balancing accounts.

Ordering Paragraph No. 2 of Interim Order states:

“2. Utilities requesting recovery of existing balancing accounts prior to November 29, 2001 shall file, within 90 days from the effective date of this decision advice letter requesting recovery pursuant to the existing balancing account procedures.”

SWS filed Advice Letter No. 232-W on March 17, 2003, supplemented by AL No. 232-W-A, filed June 16, 2003 and AL No. 232-W-B, filed June 1, 2004, as required by the cited paragraph. The Advice Letter, as supplemented, is considered adequately filed for Purchased Water, Pump Tax, and Purchased Power Account.

SWS requests recovery of purchased power, pump tax, and purchased water reserve account balances accrued in its pre December 2001 Balancing Account for the periods from May 1993 up to November 29, 2001, for SWS' San Jose District. The net requested recovery for purchased power and purchased water is \$518,263.

SWS requests recovery of purchased power, pump tax, and purchased water reserve account balances accrued in its pre December 2001 Balancing Account for the period from May 1993 up to November 29, 2001, for SWS' Whittier La Mirada District. The net requested recovery for purchased power, pump tax, and purchased water is \$2,517,418.

In 1997, SWS purchased the Maple Mutual Water Company without prior approval by this Commission. Since the original purchase in 1997, SWS has charged the customers of Maple Mutual Water Company for service provided without approval for those rates from this Commission. As required by Pub. Util. Code 451, 454, and D.99-10-064, this Commission has the non-delegable authority to approve rates charged to utility customers. Since SWS had no Commission approval to charge those rates, they also do not have the right to recover balancing account dollars associated with the Maple Mutual Water Company during the pre December 2001 period. Therefore, SWS has removed all dollars from the balancing account recovery calculation that are associated with the Maple Mutual Water Company. SWS has since corrected the problem of rate approval and the Commission has authorized rates for the Maple system as part of SWS GRC D. 03-05-078.

SWS total company net requested recovery is \$3,035,681.

The Division has reviewed SWS' requests and supporting workpapers for AL No. 232-W, supplemented by AL No. 232-W-A, filed June 16, 2003 and AL No. 232-W-B, filed June 1, 2004, and determines AL No. 232-W-B reasonable. Therefore, the Division recommends that SWS be authorized to increase revenue in each of its Districts as follows:

<u>District</u>	<u>Ccf Surcharge</u>	<u>Revenue Increase</u>
San Jose (12 months)	\$0.0487	\$518,263
Whittier La Mirada (36 months)	\$0.0900	\$2,517,418

## **NOTICE AND PROTESTS**

SWS has given public notice of the request for an increase by publishing the following table in a local newspaper:

<u>District</u>	<u>Publication Date of Notice</u>
San Jose	March 19, 2003
Whittier La Mirada	March 19, 2003

Proof of Publication has been provided to staff and one protest letter was received.

This protest letter was from the Office of Ratepayer Advocates (ORA). The protest addressed ORA's concern that SWS had failed to include revenues and expenses related to groundwater contamination in the San Jose Hills District in its balancing account. This issue was later addressed in SWS' general rate case decision (D. 03-05-078, section 6.1), which concluded that SWS had appropriately accounted for the expenses and revenues in question. Therefore, the concerns of the ORA protest have been addressed.

## **FINDINGS**

1. SWS filed AL No. 232-W on March 17, 2003, supplemented by AL No. 232-W-A filed June 16, 2003 and AL No. 232-W-B filed June 1, 2004, in compliance with Ordering Paragraph No. 2 of Decision No. 02-12-055 in rulemaking No. 01-12-009 ("Interim Order"), dated December 17, 2002.
2. After investigation by the Water Division, we find that the revised requests by SWS in AL No. 232-W-B are justified and the resulting rates are just and reasonable.

## **THEREFORE IT IS ORDERED THAT:**

1. Suburban Water Systems, is authorized five days after the effective date herein, to make effective revised rates Schedules Nos. SJ-1, General Metered Service, and WLM-1, General Metered Service as attached to supplement Advice Letter No. 232-W-B, and to concurrently cancel the presently effective

rate schedules.

2. Suburban Water Systems request for recovery of the balance of \$3,035,681 in supplement Advice Letter No. 232-W-B should be approved.
3. Suburban Water Systems is directed to maintain its reserve accounts as required by Public Utilities Code Section 792.5 and D.04-03-041.
4. This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed; and adopted at a conference of the Public Utilities Commission of the State of California held on July 8, 2004; the following Commissioners voting favorably thereon:

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WILLIAM AHERN  
Executive Director